

Teacher Retirement System of Texas

TRS Service Credit

- Withdrawn Service Credit**
- Unreported Service and/or Compensation Credit, Including Substitute Service**
- Out-of-State Service Credit**
- Developmental Leave Service Credit**
- Military Service Credit**
- USERRA Service Credit**
- State Sick and/or Personal Leave Service Credit**
- Work Experience by a Career or Technology Teacher Service Credit**
- Membership Waiting Period Service Credit**

January 2012

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TRS service credit is governed by state law and TRS Board of Trustees rules. If any information in this brochure is inconsistent with laws and rules in effect at the time of purchase or at the time the service credit is to be used for a TRS benefit, the applicable laws and rules control.

Establishing TRS Service Credit

The Teacher Retirement System of Texas (TRS) administers a retirement plan for eligible Texas public education employees. The plan provides service and disability retirement benefits to its eligible members, as well as death and survivor benefits.

TRS service credit is an important part of determining eligibility for TRS benefits. Service credit also affects the amount of a service or disability retirement benefit you may receive when you retire. For an active member, service credit can affect which death and survivor benefits would be available to your beneficiary in the event of your death and how much that benefit would be. This brochure is written to assist TRS members in establishing service credit for which they are eligible.

You can build service credit in two ways:

- Earn membership service credit through employment in Texas public education (see the *TRS Benefits Handbook* available on the TRS website), and
- Purchase service credit when eligible to do so.

This brochure provides a detailed explanation of the types of service credit available for purchase by eligible members, verification requirements, and costs.

Because most TRS retirement benefits increase with more years of service credit, you should carefully consider purchasing service credit when you are first eligible to do so. The cost to purchase service credit generally increases over time. Purchases must be

completed before retirement, including disability retirement.

Service credit that you may be eligible to purchase cannot be used to calculate active member death benefits or to determine eligibility for certain forms of payment unless the service credit is purchased before the member's death. A beneficiary, however, may complete payment for service credit already being purchased on an installment basis prior to the member's death, by paying the balance due in a lump sum, unless other restrictions apply.

Federal tax law limits the amount of money you may voluntarily pay to TRS in a school year for some types of purchased service credit. Because of this restriction, you could be limited to making payments only in years in which compensation from a TRS-covered entity is earned, or to using a rollover or trustee-to-trustee transfer for the purchase. See "Restrictions on Service Credit Purchase" later in this brochure. The restriction also may affect a beneficiary who wishes to complete payments that you may have begun under an installment agreement.

For all of these reasons, you should contact TRS as soon as possible after meeting the eligibility requirements for purchasing service credit.

★ Throughout this brochure, you will find a star-shaped icon denoting information that has been changed due to legislative action in 2011, or by changes to the rules of the TRS Board of Trustees through December 2011. Please pay careful attention to changes that may affect you.

Earning Membership Service Credit

★ Membership service credit is earned in one-year increments. Only one year of service may be credited in any one school year. A year of service credit cannot include more than 12 months. Beginning with the 2012-2013 school year, all TRS members will have a September 1 through August 31 school year for TRS benefit purposes. For years prior to the 2012-2013 school year, a school year starts on September 1 and ends August 31, or it starts on the date of your employment under a contract or oral or written work agreement that begins on or after July 1 and ends twelve months later.

To earn a year of membership service credit, you must work in a TRS-eligible position or receive paid leave from a TRS-eligible position for at least 90 days during the school year.

Service for a minimum of 90 work days as a substitute may qualify for service credit if verified and purchased. Refer to the section on “Establishing Unreported Service and/or Compensation Credit, Including Substitute Service” in this brochure for more information.

Service Not Credited on Your Annual Statement of Member Account

★ In 2011, the Texas Legislature established a five-year deadline for you to identify any errors in service credit that may occur on your Annual Statement of Member Account (“statement”). If you believe that the years of service credit on your statement for the TRS fiscal year ending August 31, 2011 are incorrect, you must notify TRS in writing no later than August 31, 2016. Service that has not been reported and/or service that was reported

but was not counted by TRS in school years prior to 2011-12 must be verified on a “Verification of Service and Salary” form (TRS 22I), which is available on the TRS website, no later than August 31, 2016.

Beginning with your statement for the TRS fiscal year ending August 31, 2012, you must notify TRS of any errors in service credit no later than August 31 of the fifth school year following the school year in which the service is rendered. Unreported service and/or service that was reported but not credited must be verified on a “Verification of Service and Salary” form (TRS 22I) within the five-year time limit for verifying that service, as described in the section of this brochure titled “Establishing Unreported Service and/or Compensation Credit, Including Substitute Service.”

Once verified within the required deadline, TRS will notify you if contributions are due to establish credit for service not credited on your statement. For cost information, refer to the section below regarding establishing unreported service credit. While verification must be received within the five year deadline described above, you are not required to purchase the credit immediately upon verification. Verified service credit may be purchased at any time before benefits become payable. However, if not paid prior to retirement or death, the service credit cannot be used in the calculation of benefits or to determine eligibility for benefits.

Purchasing TRS Service Credit

In addition to earning membership service credit for employment with a TRS-covered

employer, eligible TRS members may purchase the following:

- withdrawn service credit
- unreported service and/or compensation credit, including substitute service
- out-of-state service credit
- developmental leave service credit
- military service credit
- Uniformed Services Employment & Re-employment Rights Act (USERRA) service credit
- state sick and/or personal leave service credit
- work experience by a career or technology teacher
- membership waiting period service credit

To use purchased service credit in calculating service retirement benefits, you must complete the purchase by your effective date of retirement or by the last day of the month in which you submit a retirement application, whichever is later. If the service credit must be purchased in order to establish your eligibility to retire, the purchase must be completed by your effective date of retirement.

To use purchased service credit in the calculation of a disability retirement benefit, you must complete the purchase by your effective date of retirement, by the last day of the month in which you submit a retirement application, or within 30 days of TRS correspondence notifying you that your disability retirement has been certified, whichever is later.

Cost Increases Effective September 1, 2011 and Time Limit to Purchase Service Credit at Prior Lower Cost

★ In 2011, the Texas Legislature increased

the cost to purchase many types of service credit. The cost to purchase credit for withdrawn service, unreported service or compensation, substitute service, out-of-state service, and developmental leave increased effective September 1, 2011. If you are eligible, you may be able to purchase these types of service credit at the cost in effect prior to September 1, 2011 if you make payment in full or enter into an installment agreement no later than August 31, 2013. If you choose to enter into an installment agreement, all payments must be completed timely, in accordance with the agreement. If TRS terminates the agreement for non-payment or you choose to terminate the agreement, you must pay the cost in full by August 31, 2013, or you will forfeit the right to purchase the service credit at the lower cost. Refer to the applicable sections in this brochure for specific information regarding eligibility requirements to purchase service credit at the cost in effect prior to September 1, 2011.

Reinstating Withdrawn Service Credit

If you withdrew your accumulated contributions in your TRS member account by taking a refund, you cancelled the TRS service credit associated with those contributions and terminated your TRS membership. You may be eligible to reinstate withdrawn service credit as described below.

Eligibility: To reinstate service credit, generally you must resume membership in TRS and pay all costs for the withdrawn service credit to TRS. However, once you resume membership, you are not required to be currently contributing to TRS to be eligible to reinstate withdrawn service – you simply must have an active account and account balance with TRS. For those who are not TRS

members, the opportunity to reinstate withdrawn service credit is available only through the Proportionate Retirement Program, described in the *TRS Benefits Handbook*, or the TRS/ERS Transfer program, described in both the handbook and the *TRS/ERS Transfer* brochure. Both of these publications are available on the TRS website.

Even if you meet the eligibility requirements for reinstatement of service credit, not all withdrawn service credit is eligible for reinstatement. For example, service credit that was established through student employment cannot be reinstated if it was cancelled through withdrawal of contributions. Also, a person who is contributing to the Optional Retirement Program (ORP) is not eligible to reinstate TRS service credit cancelled through withdrawal of TRS contributions unless the person terminates employment covered by ORP and becomes employed in the public school system (elementary or secondary education).

Laws governing the reinstatement of service credit are changed from time to time. If you are interested in reinstatement of service credit cancelled by withdrawal of your TRS contributions but you are not eligible under current law, you should monitor new laws as they are enacted to determine whether restrictions may have changed.

★ **Cost:** Effective September 1, 2011, the cost of reinstating eligible service credit consists of the amount of your withdrawn contributions and interest plus a reinstatement fee of 8 percent, compounded annually, of the eligible amount from the date of the withdrawal to the date of redeposit. If more than one member account was withdrawn and service credit

cancelled, **all eligible service credit must be reinstated.** A withdrawn account that represents less than a creditable year of service must be reinstated only if the combination of cancelled service credit with other eligible service credit in the same year results in a creditable year.

You are eligible to reinstate your withdrawn service credit using the prior reinstatement fee of 6 percent compounded annually if you meet all of the following requirements:

1. You terminated all TRS-covered employment no later than August 31, 2011;
2. You filed a refund application with TRS on or before August 31, 2011;
3. You return to TRS-covered employment or employment with another Texas public retirement system as described above no later than August 31, 2013;
4. You request a bill for reinstatement of your withdrawn service no later than August 31, 2013; and
5. You make payment in full or file a completed installment agreement with TRS no later than August 31, 2013.

When to purchase: Withdrawn service credit may be reinstated as soon as you become eligible to do so and must be reinstated before the effective date of retirement in order to be included in the calculation of retirement benefits. Because the cost increases over time, you may wish to purchase this service credit as soon as possible. Also, note the August 31, 2013 deadline for payment at a lower cost described above, if you are eligible.

What to do: Contact TRS to obtain a bill

for withdrawn service credit. If you are a TRS member, you may request a bill through the *MyTRS* section of the TRS website. Members of other retirement systems, including ERS, must submit a written request to TRS for reinstatement of TRS service credit and may be required to provide a certification from the other system to verify membership in that system.

Special note: If you also are a member of another Texas public retirement system, you may be eligible to count TRS service credit towards eligibility requirements to receive benefits from the other system. Additionally, TRS service credit may make you eligible to reinstate service credit withdrawn from another Texas public retirement system. For more information on the Proportionate Retirement Program, please refer to the *TRS Benefits Handbook* or contact the other Texas public retirement system in which you earned the service credit. If you have credit in more than one system, you should ask each system about your eligibility for benefits under the Proportionate Retirement Program before terminating participation in any of the systems.

Establishing Unreported Service and/or Compensation Credit, Including Substitute Service

Eligibility, verification requirements and deadline for verification: Unreported service is eligible service that should have been reported to TRS but was not reported at the time of the employment. This includes service that would not be eligible if considered alone but that, when combined with other service performed for a TRS-covered employer during the same school year, becomes eligible

employment. Unreported compensation is eligible compensation paid to you that should have been reported but was not reported to TRS during the school year in which it was earned. For example, if you are employed in a TRS-covered position resulting in a creditable year of service and you also perform service for another TRS-covered employer in the same school year, contributions should be made on all compensation received from all TRS-covered employers. If you have eligible unreported service and/or compensation, to obtain credit, you first must have the employer verify the service or compensation on a “Verification of Service and Salary” form (TRS 22I), which is available on the TRS website.

If you serve as a substitute in a position otherwise eligible for membership in TRS, you may establish a year of service credit when you have rendered at least 90 days of substitute service in one school year. A substitute is a person who serves on a temporary basis in place of a current employee. A substitute may be paid no more than the daily substitute rate of pay set by the employer. If you have eligible substitute service, it must be verified by your employer on a “Verification of Substitute Service and Salary” form (TRS 22S), which is also available on the TRS website.

If you receive workers compensation payments as an offset to your salary, you may be able to purchase TRS service and/or compensation credit. Workers compensation payments must be verified by your employer on a “Verification of Workers Compensation Payments” form (TRS 22W), again available on the TRS website.

Upon receipt of verification, TRS will determine if your unreported service, substitute

service, and/or unreported compensation (including workers compensation) is eligible and whether contributions are due to establish service and/or compensation credit.

★ In 2011, the Texas Legislature established a deadline on the length of time a member has to verify unreported service, including substitute service, and/or unreported compensation. Any unreported service, including substitute service, that was rendered, and/or unreported compensation that was paid, before September 1, 2011, must be verified no later than August 31, 2016.

Unreported service rendered, including substitute service, and/or unreported compensation paid on or after September 1, 2011, must be verified within five years after the end of the school year in which the unreported service, including substitute service, was rendered and/or the compensation was paid.

Unreported service, including substitute service, and/or unreported compensation that is not verified by the applicable deadline will not be eligible for purchase and cannot be used to determine eligibility for, or the amount of, any TRS benefits.

DO NOT CONFUSE THESE VERIFICATION DEADLINES WITH THE DEADLINE DISCUSSED BELOW PERTAINING TO PURCHASING UNREPORTED SERVICE CREDIT AT THE COST IN EFFECT PRIOR TO SEPTEMBER 1, 2011.

Employees who were subject to a membership waiting period between September 1, 2003, and August 31, 2005, may **not** purchase the waiting period service as unreported service credit. Service rendered during a waiting

period does not qualify as unreported service. See “Membership Waiting Period Service Credit” for more information on establishing service credit for a school year that included a waiting period.

★ **Cost:** Effective September 1, 2011, the cost for unreported service or compensation credit is the actuarial present value of the additional service retirement benefit payable based on the increased service or compensation credit. In addition, a member is required to pay the employee contribution to TRS-Care if the unreported service was rendered in a Texas public school district or open enrollment charter school. Service credit for all unreported service rendered or compensation earned and paid on or after September 1, 2011 will be billed at this new cost.

Prior to September 1, 2011, the cost for unreported service or compensation credit was the amount of member contributions on the compensation plus a 5 percent fee on the unpaid amount from the end of the school year in which the contributions were due or the end of the 1974-75 school year, whichever is later, to the date of the payment. **You are eligible to purchase your unreported service or compensation using this lower cost if you meet all of the following requirements:**

1. Your unreported service, including substitute service, was rendered or your unreported compensation, including workers compensation, was earned and paid no later than August 31, 2011;
2. You file the applicable verification form, described on page 10, with TRS no later than August 31, 2013; and
3. You make payment in full or file a completed installment agreement with

TRS no later than August 31, 2013.

When to purchase: Unreported service and/or compensation credit, including substitute service and workers compensation, should be purchased as soon as possible after the service occurs. The cost to purchase this credit increases each year you delay the purchase.

★ **What to do:** Have your employer verify your unreported service and/or compensation, including substitute service and workers compensation, as soon as all such service in a school year has been completed or all such compensation in a school year has been paid. Verification must be made on the forms described on page 10 and submitted by the applicable deadline described above. Submit the completed forms to TRS. TRS will determine whether the service and/or compensation is eligible for credit and if so, will send you a bill.

Unreported service and/or compensation credit may be established in one-year increments. The service is credited upon receipt of sufficient deposits to purchase a full year of credit. The cost will continue to increase on credit not purchased.

Out-of-State Service Credit

If you have out-of-state service in a public school system or college and you also have five years of TRS membership service credit, you may be eligible to purchase out-of-state service credit. TRS has no agreement with retirement systems in other states for transferring service.

Eligibility: If you have at least five years of TRS membership service credit for actual service with a TRS-covered employer, you may purchase one year of eligible out-of-state

service credit for each year of service credit with a TRS-covered employer, up to a maximum of 15 years. You must also have at least one year of TRS service credit following the out-of-state service to be eligible to purchase this service credit.

Eligible out-of-state service includes the following:

- service in public educational institutions that are maintained in whole or in part by one of the states of the United States;
- service in public educational institutions maintained in whole or in part by a commonwealth territory or possession of the United States;
- service in public educational institutions maintained in whole or in part by the United States government. Public educational institutions of the United States government must have been maintained for the primary purpose of educating the children of United States citizens either in foreign countries or in locations within the United States where state or local governments have not provided for public educational facilities;
- service with a Department of Defense Dependent's School (DODDS); and
- service in a school outside the U.S. receiving funds under 22 U.S.C. Section 2701.

The out-of-state service must satisfy the same requirements for membership and service credit that would have applied if the service had been performed for a Texas public education institution. For example, the out-of-state service qualifies if it was in a position on a

full-time basis (one-half time or more) and for the required length of time (currently, at least 90 days of service in one school year). Out-of-state service is evaluated for credit based on a September 1 through August 31 school year.

Out-of-state service credit may be combined with eligible TRS-covered employment in the same school year to receive a year of TRS service credit. You may not establish out-of-state service credit for a year in which you are eligible to establish, or you have established, other TRS service credit. Also, you may not establish TRS service credit for out-of-state service performed for a public school if the service was performed while you were a member of the armed forces and you were compensated for the service by the United States.

★ **Cost:** Effective September 1, 2011, the cost for all out-of-state service credit is the actuarial present value of the additional service retirement benefit payable based on the increased TRS service credit. The cost is based on your age and years of TRS service credit at time of purchase, as well as your salary. The actuarial cost tables assume a lump-sum deposit; if deposits are made through installment payments, the cost will be adjusted to reflect the installment payment fee.

For eligible members, the cost for out-of-state service credit as it existed prior to September 1, 2011 (the "old" cost), may be available for purchase before September 1, 2013, as explained below.

For those who were TRS members on December 31, 2005, and whose out-of-state service was performed before January 1, 2006: Prior to September 1, 2011, the cost

methodology was as follows. For each year purchased, the cost was 12 percent of the full-time annual salary rate for the first creditable year of TRS-covered service that was both after the out-of-state service and after September 1, 1956. All eligible compensation is included in the cost calculation. The salary limits, if any, in place for TRS-covered employment apply in computing the cost of the service credit. Compensation received for substitute service is not used in computing the cost of out-of state service credit. If you did not work full-time or worked fewer days or months than a full-time employee working in a similar position, TRS computes a full-time, annual rate of pay from your reported compensation. If the service credit was not purchased when you first became eligible, the cost includes an additional fee of 8 percent, compounded annually, of the required contribution from the date you were first eligible to purchase the service credit to the date of purchase. The date you were first eligible to purchase the service credit is the latest of one of the following dates:

- The date you accrued five years of membership service credit for actual service with a TRS-covered employer,
- The date the out-of-state service credit was first available by law for purchase,
- or**
- The date you completed one year of creditable service with a TRS-covered employer after the out-of-state service.

You are eligible to purchase your out-of-state service credit using the "old" cost method as it existed before September 1, 2011, described above, if the following requirements are met:

1. You were a member of TRS on December 31, 2005;
2. Your out-of-state service was rendered before January 1, 2006;
3. TRS receives verification of the out-of-state service no later than August 31, 2013; and
4. You make payment in full for the service credit or file a completed installment agreement with TRS no later than August 31, 2013.

When to purchase: Because the cost increases over time, a member may wish to purchase credit for each eligible year of out-of-state service as soon as possible. For those eligible for the "old" cost, consider purchasing credit or entering into an installment agreement no later than August 31, 2013.

What to do: When you submit records to show that the service is eligible, TRS will prepare a bill for out-of-state service credit. To establish that the service is eligible, submit a copy of your Texas Teacher Service Record that reflects your out-of-state service. If the service record is not available, TRS will accept a "Verification of Out-of-State Service" form (TRS 224) that is completed by your **out-of-state employer** and verifies the eligible employment. This form is available on the TRS website. Service with a school outside the U.S., other than a DODDS, must be verified by a Texas Teacher Service Record or form TRS 224, accompanied by a written statement from the current administrator of the overseas or foreign school or from an official of the U.S. State Department in addition to the service record. The written statement must specify that the school received funds under 22 U.S.C. Section 2701 during the years in which the

member was employed at the school.

Out-of-state service credit may be established one year at a time and is credited upon receipt of sufficient deposits to purchase a full year of service credit. The service credit must be purchased in the order in which service is listed on your bill.

Salary earned while performing out-of-state service cannot be used in the salary average used to determine TRS benefits.

Developmental Leave Service Credit

Developmental leave is an absence from TRS membership service that is approved in advance **by your employer** for study, research, travel, or another purpose designed to improve your professional competence.

Eligibility: You must have at least five years of service credited in TRS before the developmental leave occurs. **Developmental leave must be approved in advance by your TRS-covered employer, who must certify in advance on a “Notice of Intent to Take Developmental Leave” form (TRS 215), available on the TRS website, that the leave meets the employer’s requirements for developmental leave. On or before the date the leave is to begin, you must file the completed form TRS 215 with TRS.**

At the time the required deposits for credit are paid, you must have at least five years of TRS service credit, with at least one year of membership service credit in TRS following the developmental leave.

Developmental leave is evaluated for credit based on a September 1 through August 31 school year.

★ **Cost:** Effective September 1, 2011, the cost of developmental leave service credit is the actuarial present value, at the time of deposit, of the additional standard retirement annuity benefits attributable to the purchase of the service credit, based on actuarial tables adopted by TRS.

If you meet all other eligibility requirements to establish developmental leave as explained above, you are eligible to purchase your developmental leave service credit using the cost as it existed before September 1, 2011, if the following additional requirements are met:

1. Your developmental leave was completed before September 1, 2011;
2. Your first year of re-employment in a TRS-covered position after the leave occurred is either the 2011-2012 or the 2012-2013 school year;
3. You request a bill no later than August 31, 2013; and
4. You make payment in full for the service credit or file a completed installment agreement with TRS no later than August 31, 2013.

The cost of establishing developmental leave service credit as it existed before September 1, 2011, is an amount equal to the member, state, and any required employer contributions based on the annualized compensation for the year of creditable service that occurred prior to the leave.

★ **When to purchase:** You may purchase developmental leave service credit for leave taken on or after September 1, 2011 at any time before retirement. Leave taken prior to September 1, 2011 may only be purchased if it

meets the requirements and is paid as outlined above, no later than August 31, 2013.

What to do: To establish developmental leave service credit, your leave must be certified by your employer on form TRS 215. The completed form TRS 215 must be received at TRS no later than the date the leave begins. **Upon completion of the leave and return to TRS-covered employment, you must contact TRS for a cost statement.** You must then deposit all required amounts in order to establish the service credit. If you are eligible to purchase two years of developmental leave credit, you may purchase credit one year at a time. You may also choose to purchase only one year.

Military Service Credit

If you served on active military duty in the United States armed forces and are a TRS member with at least five years of TRS service credit, you may be eligible to purchase up to five years of military service credit.

Eligibility: A TRS member with at least five years of TRS membership service credit for actual service with a TRS-covered employer may purchase up to five years of service credit for **active duty** federal military service in the U.S. armed forces. Both voluntary and draft service is eligible. Service as a reservist or member of the National Guard by a TRS member who was ordered to active duty under the authority of federal law is also considered eligible military service. Military service terminated by a sentence of court-martial is not eligible for purchase.

Military service credit may be established in one-year increments. Active military duty of at least 4½ months rendered between

September 1 and August 31 is required in order to establish military service credit for that year. Credit for military service may not be given for any year in which service credit is already granted.

If you have active membership in more than one Texas public statewide retirement system, you may not purchase or establish military service credit for the same military service with more than one retirement system. If you are a member of both TRS and the Employees Retirement System of Texas and you elect to transfer all of your service credit to one system at retirement, you may not receive credit for more than five years of purchased military service credit. The transferring system will refund the purchase cost of any years of military service credit in excess of the five permitted, if applicable.

Cost: If the military service was rendered during a time when you were a member of TRS, the cost per year to purchase military service credit is an amount equal to the contributions that you would have paid on your full annual compensation rate for the last year of membership service preceding the school year of military duty. If your membership in TRS was established after your military service was rendered, the cost is an amount equal to the member contributions required on your full annual compensation rate for the first creditable year of membership service occurring after your military service was rendered. Compensation for substitute service may not be used to calculate the cost. If you are eligible to purchase more than one year of military service credit but wish to buy one year at a time, you must purchase the service credit in the order in which the military service appears

on the bill prepared by TRS.

If you do not purchase all eligible military service credit as soon as you are eligible to do so, an additional fee is charged for the service credit. The additional fee is 8 percent of the required deposits, compounded annually from the end of the year in which you were first eligible to purchase the military service credit until payment for the service credit is received by TRS. The date of eligibility to purchase the military service credit is the latest of the following:

- The date you accrue five years of membership service credit for actual service with a TRS-covered employer;
- The date the military service credit was available by TRS law; or
- The date you completed the military service used to establish the military service credit.

When to purchase: You may purchase military service credit when first eligible to do so. Because the cost of this service credit increases over time, you may wish to purchase this service credit as soon as possible.

What to do: Contact TRS in writing to request a bill for military service credit. Your request must include a copy of your military service record (for example, a DD 214) showing the entry and separation dates for all periods of active duty military service, the type of military service, and the nature of your discharge from active duty. TRS may request other documentation as needed to determine eligibility. Once eligibility is determined, TRS will send you a bill.

You may purchase military service credit one year at a time. The service is credited upon receipt of sufficient deposits to purchase a full

year of service credit. However, the 8 percent fee will continue to be compounded annually on any eligible service that is not purchased.

Uniformed Services Employment & Re-employment Rights Act (USERRA) Service Credit

The federal law known as “USERRA” establishes certain rights if you leave TRS-covered employment for active military duty and you are subsequently re-employed, or apply for re-employment, with the same TRS-covered employer. You may be entitled to establish USERRA service credit for the active duty, or you may be entitled to use the USERRA service for TRS benefit eligibility, even if you do not purchase TRS credit for that service. You should contact TRS immediately upon application for, or re-employment in, a TRS-covered position.

Eligibility: If you leave TRS-covered employment for voluntary or involuntary active military duty in the uniformed services and subsequently return to, or apply for, re-employment with the same TRS-covered employer, you may be eligible to establish TRS service credit and/or compensation credit for the period of duty under USERRA. You must separate from uniformed service under honorable conditions or otherwise as provided by USERRA, and you must return to or apply for re-employment within 90 days of discharge or release from active military service. TRS will use the provisions of USERRA to determine eligibility of members who apply for or return to re-employment later than 90 days due to illness or injury incurred in, or aggravated during, uniformed service. A person establishing USERRA service credit may not establish any

other military service credit with TRS for the same period of active military duty.

If your employment is interrupted by military duty in a school year in which you already have received a year of TRS membership service credit, but you expected that year to be one of the highest compensation years for calculation of TRS retirement benefits, you should contact TRS about establishing compensation credit under USERRA. Such credit reflects the compensation that would have been received if you had continued to be employed by a TRS-covered employer for the remainder of the year.

If you meet the USERRA requirements, you should contact TRS promptly, regardless of employment, membership, or retirement status, to determine eligibility to establish TRS service credit.

Cost: The cost of the USERRA service or compensation credit is an amount equal to the member contributions you would have made if you had continued to be employed in the former TRS-covered position during the entire period of active duty. If you are eligible to purchase more than one year of USERRA service credit, the credit may be purchased one year at a time as long as all USERRA service credit you wish to establish is purchased within the time period applicable under federal law (generally, five years from the date of re-employment or application for re-employment).

When to purchase: If you have eligible USERRA service, you should contact TRS immediately upon re-employment or application for re-employment after your military service. USERRA service credit must be

purchased within the time period specified in federal law, as discussed immediately above. If military service is not purchased as USERRA service credit within the specified time period, it still may be eligible to be purchased as military service credit, but the cost of military service credit increases over time.

What to do: If you may be eligible to purchase credit under USERRA, contact TRS immediately upon application for re-employment with your TRS-covered employer and provide TRS a copy of the military service record (for example, a DD 214). You must also furnish any salary or employment records that may be required by TRS.

Special note: Some military service may qualify for either TRS military service credit or TRS USERRA service credit. In some instances, the cost of the service credit may be less under USERRA, if the military service qualifies. However, under USERRA, there is a time deadline for purchase of the service credit. Regular military service credit does not have this restriction. Contact TRS for more information to determine which options are available if you have military service.

★ **USERRA Service not Purchased:** If you have USERRA qualifying service but choose not to purchase TRS service credit, you may be eligible to use your USERRA service to determine eligibility for benefits, including service or disability retirement, TRS-Care health benefits including premium level, and active member death benefits. If you have USERRA-eligible service that you have not purchased, you must notify TRS in writing if you wish to have the service considered in determining your eligibility for these benefits. Persons retiring must notify TRS in writing

before the later of your effective date of retirement or the date you file your retirement application. In the event of your death while an active member, your beneficiary must notify TRS in writing before any death benefits are paid.

State Sick and/or Personal Leave Service Credit

If, on your last day of employment before retirement, you have credit for 50 days or more, or 400 hours or more, of accumulated state sick and/or personal leave, you may be eligible to purchase one year of service credit.

Eligibility: At the time of retirement, you are eligible to purchase a maximum of one year of service credit if you have at least ten years of TRS service credit for actual service with one or more Texas public education employers, you retire from such an employer, and you have 50 or more days or 400 or more hours of accumulated state sick and/or personal leave that is unused as of the last day of employment before retirement. Only five days of state sick and/or personal leave may be credited each year toward the 50-day or 400-hour total. State sick and personal leave may be combined to reach the required total. State sick and/or personal leave service credit may be used only for calculating benefits but cannot be used to determine eligibility for retirement.

If you elected to participate in the Deferred Retirement Option Plan (DROP), you may not purchase this service credit based on days or hours accumulated at the time DROP participation began or during DROP participation. Eligible leave accumulated after DROP participation ends and before retirement may be used to establish eligibility to purchase

the service credit. Eligible leave accrued after DROP participation is subject to the five-day-per-year limit.

Cost: The cost of the service credit is the actuarial present value of the increased standard annuity benefit that would be attributable to the additional year of service credit. TRS calculates this cost based on the State Personal or Sick Leave Conversion Factor Tables adopted by the board of trustees. The conversion factor depends on age at retirement and is multiplied by the increase in the monthly standard annuity resulting from the additional year of service credit. A calculator is available on the TRS website for your use in estimating the cost of this service credit. If local policy allows, the employer from which you retire may reimburse you for all or part of the cost of purchasing state sick and/or personal leave service credit.

When to purchase: You may purchase this service credit only at the time of retirement.

What to do: You can use the State Sick/Personal Leave Calculator on the TRS website to estimate your cost for this service credit. If you are retiring and are eligible to purchase the credit, you should obtain a “Certification of Unused State Sick and/or Personal Leave” form (TRS 587) from the TRS website, have your employer complete it, and submit it to TRS. TRS will then provide a bill showing the exact cost. To purchase the service credit at the time of retirement, you must deposit the cost of the service credit with TRS no later than two months after the effective date of your retirement. The purchase of this service credit is subject to the federal tax code restriction on the amount of money that may be voluntarily paid to TRS during a plan year for purchased

service credit. Specifically, unless the purchase is made with a rollover, you may be limited to making the purchase in a plan year in which you receive compensation from a TRS-covered employer that is at least equal to the cost of all service credit being purchased. The TRS plan year is from September 1 to August 31. If, for example, you terminate employment in August of a plan year but you wait to make payment for the service credit until September, the federal tax code restriction may prohibit the purchase of the service credit unless it is made with an eligible rollover. TRS encourages members to review “Restrictions on Service Credit Purchase” later in this brochure and carefully plan your service credit purchases.

Work Experience by a Career or Technology Teacher Service Credit

If you are a career or technology teacher, you may be eligible to establish TRS service credit for the work experience that entitles you to salary-step credit as a teacher.

Eligibility: An eligible member **who is a career or technology teacher** may establish service credit for one or two years of work experience, if the teacher is entitled to salary-step credit for that work experience under Section 21.403(b) of the Texas Education Code. This law states that for each year of work experience required for certification in a career or technological field, up to two years, a certified career or technology education teacher is entitled to salary-step credit as if the work experience were teaching experience. For TRS service credit, a year of work experience is determined based on a September 1 through August 31 school year. Additionally, you must have at least five years of TRS membership service credit for actual service with a

TRS-covered employer in order to be eligible to purchase this service credit.

Cost: The cost of this service credit is the actuarial present value, at the time of deposit, of the additional standard service retirement annuity benefit that would be attributable to the purchase of the service credit. The cost is based on your age and years of TRS service credit at time of purchase, as well as your salary. The cost tables assume a lump-sum deposit; if deposits are made over a period of time, the cost will be adjusted.

When to purchase: Because the actuarial cost increases over time, it is most cost effective to purchase this service credit as soon as possible.

What to do: You may use the chart on the TRS website to estimate the cost of this service credit. If interested in purchasing the credit, you must have your employer complete a “Certificate of Work Experience by Career or Technology Teacher” form (TRS 582), which is available on the TRS website. TRS will confirm your eligibility for the service credit and send you a bill after the completed form is returned to TRS.

Membership Waiting Period Service Credit

A person was subject to a 90-day waiting period for TRS membership if the person:

- began work for a TRS-covered employer on or after September 1, 2003, but before September 1, 2005, and
- was not already a TRS member at the time that employment began.

Eligibility: If, due to the waiting period,

you did not work a sufficient length of time as a TRS member in a school year to earn a year of membership service credit, you may be eligible to purchase waiting period service credit. To do so, you must have sufficient waiting period service and TRS-covered service combined during the school year to meet the length of service requirements for a year of TRS membership service credit.

Cost: An eligible member may establish credit for this service by depositing with TRS an amount equal to the actuarial present value of the additional standard annuity retirement benefits that would be attributable to the additional service credit. The cost is based on your age and years of TRS service credit at time of purchase, as well as your salary. The cost tables assume a lump-sum deposit; if deposits are made over a period of time through installment payments, the cost will be adjusted.

When to purchase: Because the actuarial cost increases over time, it is most cost effective to purchase this service credit as soon as possible.

What to do: Contact TRS by telephone or mail to request a bill for this service credit. No form is required to verify the waiting period; however, TRS may, in some cases, request that additional information regarding your employment dates be provided by your employer.

Methods of Payment

The three basic methods of making payment for TRS service credit purchases are:

- a lump sum using after-tax dollars (such as from a savings or checking account),
- installment payments using after-tax

- dollars (not available for state sick and/or personal leave service credit), or a rollover (or in certain situations, a direct trustee-to-trustee transfer) using pre-tax dollars from another eligible retirement plan.

Service credit costs must be paid in full by the time of retirement. Different types of service credit (for example, military and out-of-state) may be purchased at the same time. Once service credit has been established, contributions are not refundable unless you terminate TRS membership and withdraw all accumulated contributions. All fees, including installment fees, are non-refundable.

Installment Payments

A monthly installment payment plan or a plan combining a down payment plus monthly installments is available for all kinds of service credit purchases except state sick and/or personal leave. If you choose to use an installment plan, you are subject to any deadlines otherwise applicable for purchasing the service credit.

Military, USERRA, work experience, developmental leave, unreported, and out-of-state service credit may be purchased and credited one year at a time. **All** withdrawn service credit must be paid in full before any credit is given.

Payments may be made over a period equal to the number of years of service credit to be purchased, but not to exceed 60 months. For example, the installment payment period for the purchase of four years of service credit may not exceed 48 months. A service credit purchase of greater than five years must be paid within the maximum 60-month period. Minimum monthly payments will be no less

than \$25. Total payment on the installment plan is the cost of the service credit plus a 9 percent annual administrative fee calculated on the daily declining balance.

Monthly installment payments may be made in three ways: by an automatic payment deducted from your financial institution account, by payroll deduction if provided by your employer, or with a personal check or money order accompanied by a TRS payment coupon. Postdated checks will not be accepted. **TRS encourages automatic payment since it is easy, reliable, and economical.**

You may end installment payments at any time and receive a refund of payments on years of service not yet credited by submitting a signed request. However, no refund will be made on years already credited or on the installment fee. Refunds from the installment plan require approximately 30 days after TRS receives all necessary documentation. If installment payments become delinquent for 60 days or more, TRS may cancel the installment agreement and refund the payments for any partial year of service credit, less the applicable fees. If either TRS or you initiate a refund, you will not be permitted to use the installment plan again for the purchase of the same service credit for three years from the date of the refund.

★ If you are purchasing service credit under old cost requirements as outlined above for withdrawn, unreported, out-of-state, or developmental leave service credit, and you choose to cancel your installment agreement or TRS cancels the agreement, you will forfeit the opportunity to purchase the credit at the lower cost unless you make a lump-sum payment for the amount due on or before August 31, 2013.

If a member dies before completing payments, the beneficiary may receive a refund of the member's payments for any partial year of service, less the applicable fees, or may make a lump sum payment of the unpaid balance to establish credit for the service, subject to any applicable restrictions. A beneficiary may not continue the installment plan. Payment by a beneficiary must be made within 12 months after the date of death of the member.

Rollovers and Transfers from Other Plans

TRS may accept an eligible rollover distribution or, in some situations a direct trustee-to-trustee transfer, from another eligible retirement plan in payment of all or a portion of the cost for special service credit or for withdrawn or unreported service credit. Rollovers generally may be accepted from the following kinds of retirement plans in which the member has participated:

- a traditional Individual Retirement Account (IRA)
- a Simplified Employee Pension (SEP) IRA
- a qualified 401(a) plan
- a 401(k) plan
- a qualified 403(a) annuity plan,
- a 403(b) tax-sheltered annuity or account (TSA), or
- a governmental 457 plan

TRS may **not** accept a rollover from a SIMPLE IRA plan ("Savings Incentive Match Plans for Employees"), a Roth IRA, or a Coverdell Education Savings Account (formerly called education IRAs).

A rollover generally requires a distributable event, such as termination of employment,

unless it is from an IRA, which does not require a distributable event. Each distributing plan determines when a rollover may be made; TRS cannot make this determination for you. A direct trustee-to-trustee transfer generally does not require a distributable event and thus may be available if a member is still employed. However, federal law allows TRS to accept a direct trustee-to-trustee transfer only from a governmental 403(b) or governmental 457 plan. If you are interested in paying for service credit through a rollover or transfer, contact the plan from which the funds are to be withdrawn to determine that plan's requirements. When you have confirmed with the other plan that your funds are eligible for a rollover or direct trustee-to-trustee transfer, you should visit the TRS website to review the "Information on Rollover or Transfer of Funds to TRS" form (TRS 611) and also review the information on your "Rollover or Transfer of Funds to TRS" form (TRS 551C), which is printed on the back of the TRS-issued bills for service credit to be purchased. If you wish to use a rollover or transfer of funds, request an "Eligible Rollover or Direct Trustee-to-Trustee Transfer to Purchase TRS Service Credit" form (TRS 551). Form TRS 551 can be obtained by calling or writing TRS.

Restrictions on Service Credit Purchase

Federal tax law limits the amount of voluntary annual contributions a person may make to tax-deferred retirement plans, including TRS. Under the Internal Revenue Code, voluntary member payments to TRS in a plan year (September 1 through August 31) for purchasing service credit generally may be

limited to \$49,000 for the 2011-2012 plan year and to \$50,000 for the 2012-13 plan year.

The contribution limit is subject to annual adjustment by the U.S. Secretary of Treasury in future plan years. In some cases, if a member has a total of five or more years of certain types of purchased service credit, the limit may be calculated as the lesser of a) 100 percent of your compensation from a TRS-covered employer in the year of the purchase, or b) the contribution limit for the plan year. You are encouraged to consider making your service credit purchases in plan years (September 1 – August 31) in which you are employed in Texas public education so that you can make sure your payments for service credit are within any applicable limit.

For some types of purchased service credit, the limit does not apply. For example, the annual limit does not apply to payments for reinstating withdrawn service credit. Also, some types of payments do not count towards the limit. For instance, payments made through a rollover or a direct trustee-to-trustee transfer also are not subject to, or counted toward, the limit.

The limit is per year and does not increase based upon the number of types of service credit you may be eligible to purchase. The limit is especially important if you are considering purchase of state sick and/or personal leave credit; the actuarial cost of this credit may exceed the annual limit and, because this service credit may be purchased only at the time of retirement, you will not be able to spread out the purchase over a number of years to stay within the annual limit.

TRS will inform a member at the time of

billing whether a limit is applicable.

How the restrictions may affect your service credit purchase. As noted above, for some members who have purchased an aggregate of five or more years of some types of service credit (for example, certain out-of-state, work experience, and unused state sick and/or personal leave service credit), the contribution limit may be affected by compensation you received in a plan year from a TRS-covered employer. When TRS is required to calculate the limit this way, if you do not receive compensation from a TRS-covered employer in the plan year in which you wish to purchase service credit, you may be unable to purchase credit in that year. For example, if you terminate employment with a TRS-covered employer in May 2011, and you do not return to work with any TRS-covered employer in the following school year, but you wish to purchase some type of service credit in October 2011, you will have no annual compensation for the plan year 2011-2012. Because you have no compensation from a TRS-covered employer in the 2011-2012 plan year, your contribution limit may be \$0 ($100\% \times \$0 \text{ compensation} = \0), and any payment for service credit would exceed the dollar limit for the year. TRS would be unable to accept any payment in the 2011-2012 plan year for some types of service credit purchases, unless paid for with a rollover.

TRS encourages members to plan early for service credit purchases. For example, using an installment payment plan that spreads out the payments over a number of years of employment may help you stay within the annual payment limits that may apply to your purchases.

These restrictions also apply to a beneficiary who may wish to complete payments

for service credit after the death of a member. Payments by a beneficiary are subject to the contribution limits, including, when applicable, limits based on the member's compensation received from a TRS-covered employer in the plan year of the member's death. Depending on a member's aggregate service credit purchases, all after-tax payments from a beneficiary could be required to be completed in the same plan year in which the member received compensation from a TRS-covered employer.

Other provisions of federal tax law may affect your purchase of service credit. TRS provides more detailed information about these restrictions, if applicable, when you request calculation of a bill for service credit.

Additional Information

TRS/ERS Transfer

Eligible members of TRS may transfer service credited under the Employees Retirement System of Texas (ERS) to TRS. Likewise, eligible members of ERS may transfer their service credited in TRS to ERS. Members who have already retired under either system are not eligible to transfer service credit, although a TRS member who has previously retired under ERS may be able to use ERS service credit to establish TRS retirement eligibility under the Proportionate Retirement Program. For more information, please refer to the *TRS/ERS Transfer* brochure, available on the TRS website.

Proportionate Retirement Program

If you have service in more than one Texas public retirement system, you should ask each system about your eligibility for benefits under

the Proportionate Retirement Program. This is especially important before terminating participation in any of the systems. For more information, please refer to the *TRS Benefits Handbook*, available on the TRS website, or contact each Texas public retirement system under which you performed service.

TRS-Care

TRS members who are not eligible for retiree health benefits offered through the Employees Retirement System of Texas (ERS) or through a higher education institution may be eligible for TRS-Care retiree health benefits upon retirement. Service retiree eligibility for TRS-Care is based on meeting two eligibility components. **First**, you must have a minimum of 10 years of membership service credit for actual service in the Texas public schools. If purchased before retirement, withdrawn, unreported (including substitute), and up to five years of military or USERRA service can be counted toward the 10 year minimum. **Second**, in addition to the required minimum 10 years of membership service credit, you must also meet the “rule of 80” (age plus service credit total at least 80) or have 30 years of service to be eligible to enroll in TRS-Care. **All** purchased service credit can be used toward this second component of TRS-Care eligibility. If you are approved for disability retirement, you are eligible for TRS-Care, regardless of your number of years of service credit, throughout the duration of your TRS disability retirement as long as applicable premiums are paid. For more information, please see the brochure *TRS-Care Highlights of the Plan* or the *TRS Benefits Handbook*. Both of these publications are available on the TRS website.

Deferred Retirement Option Plan (DROP)

Effective December 31, 2005, DROP is closed to new participants. If you elected to participate in DROP by December 31, 2005, you were required to complete the purchase of all service credit before the effective date of your participation in DROP. Service credit may not be purchased during DROP participation. If you elected to participate in DROP, you are disqualified from purchasing state sick and/or personal leave service credit for leave accrued as of the date of DROP participation or for leave accumulated during DROP participation. However, if you complete the period of DROP participation and continue or return to employment with a TRS-covered employer without having retired, you may then purchase any special service credit for which you are eligible and for which the requirements have been met entirely after your DROP participation. Service credit purchased after the expiration of DROP participation will be used in the calculation of a second component to your retirement annuity. It will have no effect on your DROP account.

Obtaining More Information

The TRS website has other information that can help you estimate the cost of some of the service credit purchases mentioned in this brochure. Service credit purchase costs estimated through the TRS website are not binding on TRS and are subject to verification when TRS prepares a bill. Members interested in establishing service credit should contact TRS. Information in this brochure is introductory only. If any information is inconsistent with laws and rules in effect at the time of purchase

or use of the service credit, then the applicable laws and rules control.

For more information, contact:
Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701-2698

(512) 542-6400 or 800-223-8778

You may also visit the TRS website:
www.trs.state.tx.us



Find us here on these
social networking sites.



Also, check out *MyTRS* on the TRS website
for easy access to your account information
and e-mail subscriptions.



www.trs.state.tx.us